

Question: I heard the CEO of [a large bond mutual fund] say that municipal bonds would be one of the best investments of the future. Would you agree?

Bud's answer:

I wish I knew. I don't have to sell bonds for a living. It's always important to keep in mind who is saying what. I think that municipal bonds will be good for several years. At some point, higher inflation has to set in. That's because there is no way that we can live with such great government debt growth--and inflation is a tool of the government uses to not only make past debts look smaller but to pay the interest with cheaper dollars. The growth of inflation-adjusted entitlements reduces the effectiveness of this, but any tool the government uses will hurt bond holders whether they have some of that government debt or municipal bonds.

REITS might be better, but they are pricey right now. I really like Savings I Bonds, but the feds have now limited them to \$10k per person per year and made it harder to buy them because you have to do this on [treasurydirect.gov](https://www.treasurydirect.gov). Until a year or so ago, TIPS were a very good buy, but savvy investors have been willing to pay enough for them that they too may be overpriced right now. I still buy some every year to round out my TIPS ladder. TIPS now don't fully cover inflation, and, if we would go into a depression, I would lose a little money--but not as much as I would on my stocks.

Not knowing the future, we have no choice but to diversify.

Bud